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**DEVELOPMENTS IN FINLAND**

- I. Finland's major preoccupation continues to be the possibility of some "generous" Soviet border adjustment, involving part of the 18 thousand sq. mi. of Finnish territory ceded to the USSR in 1944. The Jan 56 return of Porkkala to Finland whetted Finnish hopes for further Soviet concessions.
  - A. Two separate possibilities have been in the wind: a minor arrangement permitting Finnish reactivation of the Saimaa Canal (and possible "lease" of Vyborg and the small enclave west of the canal); and the much more important prospect of a large-scale adjustment in the Karelian area.
  - B. President Kekkonen has been involved in secret conversations with Soviet Ambassador Lebedev since early spring on this larger issue.
- II. Although the Finnish ambassador to Moscow was recently led to believe that prospects for such a Karelian adjustment were improving and the Supreme Soviet this July reduced this Republic in rank and incorporated it into Great Russia, Lebedev has reportedly told Kekkonen that "nothing can be done regarding frontier adjustments" at present since generosity toward the Finns would bring appeals from Japan and Germany "that the USSR cannot grant at this time".
  - A. Although Lebedev added that the USSR "was prepared to consider" the smaller Saimaa canal question, the Finns are now reluctant to pursue this issue any further since a rental agreement there could prejudice further negotiations on the larger area.
  - B. It thus appears that prospects for a major readjustment are indefinitely postponed.

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